

TAB

Tab, "B"

COMMENTS ON  
BASIC MEMORANDUM  
(Reference a)

BASIC MEMORANDUM

(Memorandum to Deputy Director (Support) from Management Staff, dated 19 August 1957, subject: Electronic Data Processing Feasibility Study of Supply Division, Office of Logistics) (Reference a).

1. PROBLEM: No comment
2. FACTS BEARING ON THE PROBLEM:
  - a. - No comment
  - b. - See comments on Para. 7, i, Annex II
  - c. - See comments on Para. 7, Annex II
  - d. - See comments on Para. 2, 3, 4, 6, and 7, Annex II
  - e. - See comments on Para. 1, 2, and 3, Annex II
  - f. - See comments on Para. 5, Annex II
  - g. - See comments on Para. 4, Annex IV
  - h. - See comments on Para. 2 and 3, Annex IV (Tabs I, K, L and M)
  - i. - See comments on Para. 1 and 2, Annex III (Tabs E and F)
  - j. - See comments on Para. 3 and 4, Annex IV
  - k. - No comment
  - l. - No comment - subject to further study (See memorandum - ref. (b))
  - m. - No comment
  - n. - No comment
  - o. - No comment
3. DISCUSSION:
  - a. - No comment
  - b. - See comments on Annex II
  - c. - See comments on Annex III
  - d. - See comments on Annex IV
  - e. - See comments on Annex V
  - f. - No comment

g. - See comments on Para. 6, Annex V

h. - No comment

i. - No comment

4. CONCLUSIONS:

a. - No comment

b. - Concur to the extent indicated in comments on Annexes

c. - No comment

d. - No comment (See memorandum - reference (b))

e. - No comment

5. RECOMMENDATIONS:

a. - See comments on Para. 1 and 2, Annex III

b. - See comments on Para. 7, Annex II

c. - No comment

d. - See comments on Para. 6, Annex V

e. - (1) - No comment  
(2) - No comment  
(3) - No comment

f. - No comment

g. - See comments on Para. 4, Annex IV

Tab B

COMMENTS ON  
ANNEX II  
(Reference a)

Annex II

ANNEX II

(Paragraph 1)

"Under the present procedure of the Supply Division/OL, a requisition frequently calls for items which must be procured as well as items which are carried in stock. Approximately forty per cent of the line items on requisitions are in the procurement category, either because they are not normally carried as stock items or because the stock has become exhausted."

COMMENTS:

As is stated in Annex II, paragraph 1 of the reference, approximately 40 per cent of the line items received involve procurement action. Of this 40 per cent, less than 25 per cent are referred to the Identification and Cataloging Branch. The factors which govern forwarding items which have no stock number to the Identification and Cataloging Branch are non-expendability and those expendable items of an anticipated recurring nature. The experience of the Stock Editor within his particular commodity areas enables him to identify many items which might otherwise be referred to the Identification and Cataloging Branch. A frequency of demand for a non-stock item is detected by the Stock Editors and referred to the Stock Management and Requirements Section who then study the feasibility of stocking the item. Mere frequency of demand is only one of the many considerations which enter into such a study.

(Paragraph 2)

"To determine whether an item is in stock or must be produced, the Stock Editing Unit compares each line item with stock-status reports. If an item appears in stock, the stock-status report is manually up-dated (for both issues and receipts) until the next report is issued. The requisition is manually noted for any corrections such as unit of issue, price, etc. If an item is not on the stock-status report or if the supply appears exhausted, or unless a suitable substitute is found to be in stock, an extract of the requisition is made manually for procurement purposes and the action is noted on the requisition. In the case of a non-stock item or one which cannot be identified by the Stock Editing Unit, the requisition or the extract is referred to the Identification and Cataloging Branch for establishment of a stock number and nomenclature description and then referred back to the Stock Editing Unit. In the case of an item normally carried in stock, but presently out of stock, the requisition or the extract is referred to the Stock Management and Requirements Section for determination of a replenishment quantity to be purchased. All such items are then referred to the Procurement Division for purchase. As may be visualized, this entails a great deal of manual labor resulting in delays and marked up requisitions which

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errors."

#### COMMENTS:

1. The stock-status report is broken down into five categories which are assigned to as many Stock Editors; an additional Editor functions as a "floater" to cover for absences and to help with heavy requisitioning activity. With the possible exception of the "floater", normal proficiency developed from a few months of daily familiarity with a particular segment of the stock-status report obviates most of the scanning of the stock-status for those items requiring procurement action.

2. The Stock Editing Unit rarely makes an extract of a requisition for procurement purposes. Normally ditto run-off copies of the edited master requisition form are distributed to Procurement Division for their action. Extracts become practical whenever requisitions in excess of fifty line items are received of which a limited number of line items require procurement processing.

3. In the event items normally carried in stock are temporarily depleted, it is almost without exception true that replenishment action has been initiated some time prior to the depletion and the due-in duly recorded on the stock-status report. In this contingency, an exercise of judgment is made by the Stock Editor whether to back order the request or to initiate a special procurement action for the item. This decision on the part of the Stock Editor is made without reference to the Stock Management and Requirements Section. In the event of a "run" on stock, telephonic coordination is effected to expedite replenishment action.

4. The preparation of the stock-status report by the Machine Records Division provides for the elimination of all items which have a zero balance in the four quantity fields (due-in, due-out, on hand, and stock level). Therefore, in one way or another, all items appearing on the stock-status reports are carried in stock. It has already been pointed out that the experience of the Stock Editor eliminates much "needless scanning of the stock-status reports."

(Paragraph 3)

"Records of the Supply Division/OL indicate that as of 30 June 1957, the Identification and Cataloging Branch had identified 39,304 items of which 20,005 were carried on stock-status reports, indicating that some 19,300 items not carried in stock might be requisitioned. Many of the 20,005 items appearing on stock-status reports are not actually carried in stock. It is, therefore, quite possible for the number of line items requisitioned but not actually in stock to equal 50 per cent of the total, causing the Stock Editing Unit to spend at least half of its effort in needless scanning of stock-status reports for items which must eventually be checked by the Identification and Cataloging Branch and re-checked again by the Stock Editor."

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As previously indicated in the reply to paragraph 2 above, the preparation of the stock-status report by the Machine Records Division provides for the elimination of all items which have a zero balance in the four quantity fields (due-in, due-out, on hand, and stock level). Therefore, in one way or another, all items appearing on the stock-status reports are carried in stock. It has already been pointed out that the experience of the Stock Editor eliminates much "needless" scanning of the stock-status reports."

(Paragraph 4)

"To date no complete catalog of stock items has ever been published. If a complete catalog containing only items carried "in stock" and another catalog containing only items which would have "to be procured" were published and disseminated, throughout the Agency, and if separate forms for requisitioning items "in stock" and items "to be procured" were instituted simultaneously, the following benefits should accrue:

a. Under the present manual system, generally:

(1) Only the requisitions for items "in stock" would have to be compared against the stock-status reports.

(2) Requisitions for items "to be procured" would be referred directly to the (proposed new) Stock Management and Control Section for review and then go to the Identification and Cataloging Branch for flexowriter processing (see Annex VII)."

COMMENTS:

The General Services Administration and the Military Departments of the Government have published catalogs for items in common use and those items for which they have responsibility for supply. It will be allowed without contradiction that the items which appear in these catalogs are well established in the Federal Supply System, that the aims and missions of GSA are thoroughly detailed, and that the Military operates under strict tables of organizational allowances for supplies and equipment. The extent to which this Agency can emulate either GSA or the Military Departments in maintaining supply stability is extremely limited due to the continuing and necessary demand to observe utmost flexibility in compliance with operational requirements. Sharp and frequent fluctuations in the Agency's stock system are a result of project and plan terminations, sudden obsolescences, turn-ins of non-standard supplies and equipment, cancelled cargoes, disposals, and a number of other reasons. To publish and disseminate an "in stock" catalog and keep it current would therefore be a stupendous undertaking. The merit of publishing a "to be procured" catalog is not clear. In practice, the field activities refer requests to Headquarters for items not obtainable locally or those items for which Headquarters is the sole source of supply.



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It is a matter of large indifference to the field that the item can be furnished from Headquarters stock, cured, and to expect that they will assume the administrative burden of keeping two catalogs current based on a continual flow of change notices emanating from Headquarters is not reasonable. Even if this cooperation be assumed, the inevitable time lag between preparation and dissemination of change notices would result in some requisitions flowing to Procurement for items recently introduced into stock; a cardinal sin in any supply activity.

(Paragraph 5)

"Under present procedure requisitions originating outside of Headquarters may carry a [REDACTED] indicator and, in such cases, are referred directly to the Office of Logistics. However, it is then frequently necessary for the Supply Division to refer such requisitions back to an area (Headquarters) for approval of their Budget - Finance Officer and to a technical service (in the case of controlled items) for their approval. It is believed that referring all such requisitions directly to the area desk, eliminating the [REDACTED] indicator, for obtaining such approvals before going to Office of Logistics will speed up the supply service and relieve the Office of Logistics of such criticism for delays which may actually be the fault of the present system."

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#### COMMENTS:

1. The [REDACTED] communication channel not only facilitated the processing of requisitions emanating from field activities for items of an administrative and/or general housekeeping nature (non-operational) but has as well contributed immeasurably in dispatching documents (copies of requisitions and shipping documents) and answering field inquiries re the status of their requests on a timely basis. Furthermore, by consolidation and intermittent dispatching of documents, it has relieved the Area Divisions of the routine workload of preparing dispatches and transmitting documents on a daily basis and in some instances, possible 2 or 3 a day to the same activity. This, without doubt, reflects the efficiency and sound judgment exercised in establishing this service.

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2. It is true that on occasion the Area Division Budget Officers and the Technical Officers will sometimes request requisitions, received through [REDACTED] channel, be forwarded for review. In the first instance, it applies, in general, to requisitions submitted by their non-accountable activities which have limited budgets and property authorization, and secondly, requisitions for operational type materiel that has been slugged with the [REDACTED] indicator in error. A third instance that is not mentioned, and which it is believed should be noted, is requests for electric office machines (typewriters, calculators, recorder-transcribers, etc.) which require approval of the Management Staff, DD/S. Each of these contribute to delays in processing requisitions. However, in all of the above instances, the relatively small amount of requisitions involved does not justify

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the discontinuance of the [REDACTED] procedure which has since its  
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decreased communication traffic and has absorbed the daily  
routine administrative workload that normally would fall on the  
Area Divisions.

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(Paragraph 6)

"Present procedure requires many items to be carried in stock under one or more of eight different codes denoting sterilization, one or more of up to 27 codes denoting allocation, and one or more of four codes denoting condition. In many cases, the established levels do not appear realistic. No complete record of item activity appears anywhere in the stock-status or other reports. Frequently, one item arbitrarily may be substituted for another if the one requisitioned is out of stock. Many items on requisitions are not described in accordance with established nomenclature, making it difficult for the Stock Editing Unit or even the Identification and Cataloging Branch to determine exactly what is required. In the event of a property turn-in, each item is held out of stock until every other item in the lot has been identified and coded."

COMMENTS:



2. Allocation codes are in wide use throughout Government supply and they serve these useful purposes:

- a. To identify material being held for an activity.
- b. To identify material requiring special authorizations prior to release.

3. This Agency's condition codes are modest in number and scope as compared with those utilized by the Department of Defense. It will be allowed that it is extremely useful to know that an item has limitations of issue, that it is economically repairable or that it is uneconomically repairable.

4. To establish and maintain realistic stock levels is the cherished aim of supply management. To this end the Government employs personnel to devote full time and energy to determining stock levels. If the problem consisted solely of an analysis of statistical data, the entire matter could be referred to a clerk or a machine capable of arriving at a correct computation when given certain facts. But in the Agency, a host of considerations enter into the establishment of stock levels which require the efforts of trained stock analysts to determine what, where and when material is required.

5. It is recognized that many current stock levels are not what are considered to be realistic. However, requirements both Administrative and Operational, to supply those items of supply

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which are sorely needed on a recurring basis necessitated the establishment of stock levels derived solely from available statistics of utilization and lead time. Realistic stock levels refer to maintaining stores sufficient for support, consistent with economy, and entail an analysis of many factors among which are the following:

a. Issue History: Statistics pertaining to past issues reveal the quantity of a specific item that is likely to be utilized in the future. In the main, issue peaks and valleys can be overcome by the establishment of stockage objectives somewhat lower than the peaks and higher than the valleys. This stockage objective will, however, not compensate for excessive peaks and valleys created by seasonal demands or sporadic activity.

b. Availability: Vendors have varying policies relative to furnishing material within given time limitations. These policies are based on many factors, such as production schedules, which are not within the control of the purchaser. This circumstance contributes materially in determining whether an item is stocked, its level and its reorder period. The amount of time required for the production of an item, transporting it to the purchaser, and the preparation and processing of requisitions and purchase orders are computed to establish the overall lead time. This, in turn, is converted to days of supply which affects materially the quantity which must be ordered within a given reorder period.

c. Economical Quantity Buying: In many instances, the price of an item will vary directly with the quantity purchased at a given time and therefore must be given consideration when establishing or revising a stock level.

d. Transportation Cost: The gross cost of an item varies with the quantity transported at a given time. To date, there is only one case in which the quantity ordered was determined on the basis of transportation cost. However, stock managers are giving this consideration more attention as the stock management program progresses.

e. Storage: The availability of storage of the proper type, and the cost of such storage contribute materially in determining stock levels and reorder periods. Common sense dictates that material in excess of available storage space shall not be ordered and therefore order periods are established in conjunction with this factor. Conversely, if storage space is available, larger quantities at a reduced price will be ordered, and these less frequently. To arbitrarily provide space for large quantities, thereby increasing the gross cost of an item, would, in no sense of the term, be stock management.

f. Shelf Life: Items of supply will deteriorate beyond useability if retained in storage for an excessive amount of time. Many items such as photographic film and paper, carbon paper and dry cell batteries have an exceedingly short shelf life and therefore their order periods have to be consistent with this fact.

g. Development of a New Item: Stock levels for items are reduced or eliminated based on the development of a replacement item which will serve the objectives of the Agency either more economically or efficiently. This requires monitoring the item and its replacement very closely to assure that they are phased in and out of the supply system in an orderly and economical manner.

6. Stock Management decisions and the factors from which they result are currently being recorded on individual records for each item. This procedure was implemented recently and will be incorporated with the Flexowriter system (for accomplishing replenishment requisition) as such progresses.

7. To receive completely described requisitions from small field activities, operational non-logistics trained personnel, would indeed be an ideal situation. However, it must be remembered in most instances one person is the Administrative, Finance and Logistics Officer, sometimes a Case Officer, who do not for security (cover) reasons, have Agency catalogs from which to obtain descriptive data. This is recognized by the Office of Logistics and every effort is made, in conjunction with the Area Logistics Officers and technical services, to arrive at a satisfactory conclusion as to what is needed. This has proven quite successful when even the slightest hint is given as to the type of item that is desired. There are other instances, of course, where the request will be for "a holster", "a piece of rope" which naturally must be referred back to the originator. The statement that requisitions are received without proper description, however true, cannot be controlled by the Office of Logistics, other than by returning each one to the originator. This action, it is reasonably sure, would be frowned upon by operating divisions because of the effect it might have on operations.

8. The practice of holding property turn-ins, by lots for identification, inspection and coding, is done so that when completed any differences found, stock numbers, description and condition, may be properly annotated on Property Turn-In making it a complete transaction. If this were not accomplished in this manner, it would mean that turn-ins would be accepted as noted and placed in stock then discrepancies would only be detected during an inspection and surveillance, or upon issue, thereby creating false property records necessitating unnecessary inventory adjustments.

9. The procedure now observed is identical to that proposed without utilizing a "Suspense Account."

10. A standard substitution procedure is currently in effect which reduces to this principle: If any item in stock is a reasonable substitute for a requisitioned item out of stock and the requisitioner has not stipulated that substitutions are unacceptable, then the substitution may be effected. We do not consider this principle to be arbitrary. The requisitioner rarely indicates what items he will accept as a substitute, and a listing of these in any catalog would not be likely to prompt his including them on the requisition as acceptable alternatives. In some of the Agency catalogs, particularly ordnance, a glossary of interchangeability is provided primarily as a guide to users of the material.

(Paragraph 7)

- a. "Catalogs, as described in paragraph 4 (see paragraph 4, page 4) above, should be published and disseminated immediately and should contain (in addition to full nomenclature for each item) for requisitioning purposes, the following:

- (1) Full stock number
- (2) A single noun description
- (3) A "normal order quantity"

25X1A11b (4) A single [REDACTED] code (for the one most frequently requisitioned)

- (5) No allocation codes (as not essential for supply operations)."

- b. "The requisition be redesigned in two forms - one to be used for "in stock" items only, the other for items "to be procured" only."

25X1A11b c. "Items that are required in larger than "normal order quantities" or with a [REDACTED] code other than the one specified under paragraph 7a(4) above should be requisitioned on the "to be procured" form."

- d. "All items carried under "condition" codes one and two should be combined into one "available for use" code."

- e. "All items carried under "condition" code 3 (needing re-conditioning) and code four (not repairable) should be placed in a suspense account until made "available for use", by reconditioning, or disposed of as not repairable, and that all property turned in should also be placed in this account until properly identified, and released item by item as disposition is determined."

- f. "Proper levels should be established for each item carried in stock."

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- g. "A standard substitution procedure (where possible) for each item which might be temporarily out of stock should be established, and indicated in the "in stock" catalog."
- h. "All stock items in which there has been no activity for one year should be eliminated by disposal, or placed in the "suspense account".
- i. "Any combustible ordnance item should be removed from warehouses containing other materiel, as constituting an unwarranted hazard in event of fire."
- 25X1A6a j. "The [REDACTED] Depots should be "in business" with complete stocks of items in normal demand, or "out of business" and used only as transshipping facilities (except for [REDACTED] procurement activities)". 25X1A6a

COMMENTS:

1. 7a(1)(2).

CONCUR. Current Agency Catalogs reflect, in accordance with the Federal Cataloging Program, adequate nomenclature which includes the single noun, full stock number and unit of issue.

2. 7a(3).

A "normal order quantity" can be determined for certain categories of materiel when applied to a specific operation but a "normal order quantity" cannot be established universally because of the many and unusual types of operations, that are kept on a need-to-know basis, which in some instances, may and do change within a 24-hour period.

3. 7a(4).

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They do not show a [REDACTED] code" as this requirement varies with the nature of the operation and citing the one "most frequently requisitioned" in a catalog would be to no purpose.

4. 7a(5).

Allocation codes are of no concern to requisitioning activities and are therefore omitted from the catalogs; as was pointed out in Paragraph 6(2) above, they are considered quite essential to internal supply operations.

5. 7b.

DO NOT CONCUR. This proposal is tied to the publication of an "in stock" catalog and a "to be procured catalog" discussed in paragraph 4, Annex II.

6. 7c.

DO NOT CONCUR. In the example cited in 7a(3) above, if small activity's requirements became the "normal order quantity", this would result in their requisition being processed from stock and the larger activity's requisition being referred to the Procurement Division.

7. 7d.

DO NOT CONCUR. A mechanism to identify items which have limitations as to issue is considered necessary. For example, there is in the supply system, at present, approximately 100 items classified as condition code 2. These are all expendable items having limited shelf life and/or usage, i.e., photographic paper, film and calendars; whereas, code 1 is for any and all items, new and used, for issue without limitations. It is therefore quite evident that condition codes are essential to supply management.

8. 7e.

CONCUR. A salvage account is considered desirable and the matter has been under study. The immediate problem confronting its inception is whether this salvage account would constitute another memorandum receipt account picking up property as a result of lateral transfers or become an account entirely outside the present accountable structure.

9. 7f.

CONCUR. See comments, Annex II, paragraph 6(4).

10. 7g.

CONCUR. A standard substitution procedure is currently in effect which reduces to this principle: If any item in stock is a reasonable substitute for a requisitioned item out of stock and the requisitioner has not stipulated that substitutions are unacceptable, then the substitution may be effected. We do not consider this principle to be arbitrary. The requisitioner rarely indicates what items he will accept as a substitute, and a listing of these in any catalog would not be likely to prompt his including them on the requisition as acceptable alternatives. In some of the Agency catalogs, particularly ordnance, a glossary of interchangeability is provided primarily as a guide to users of the material.

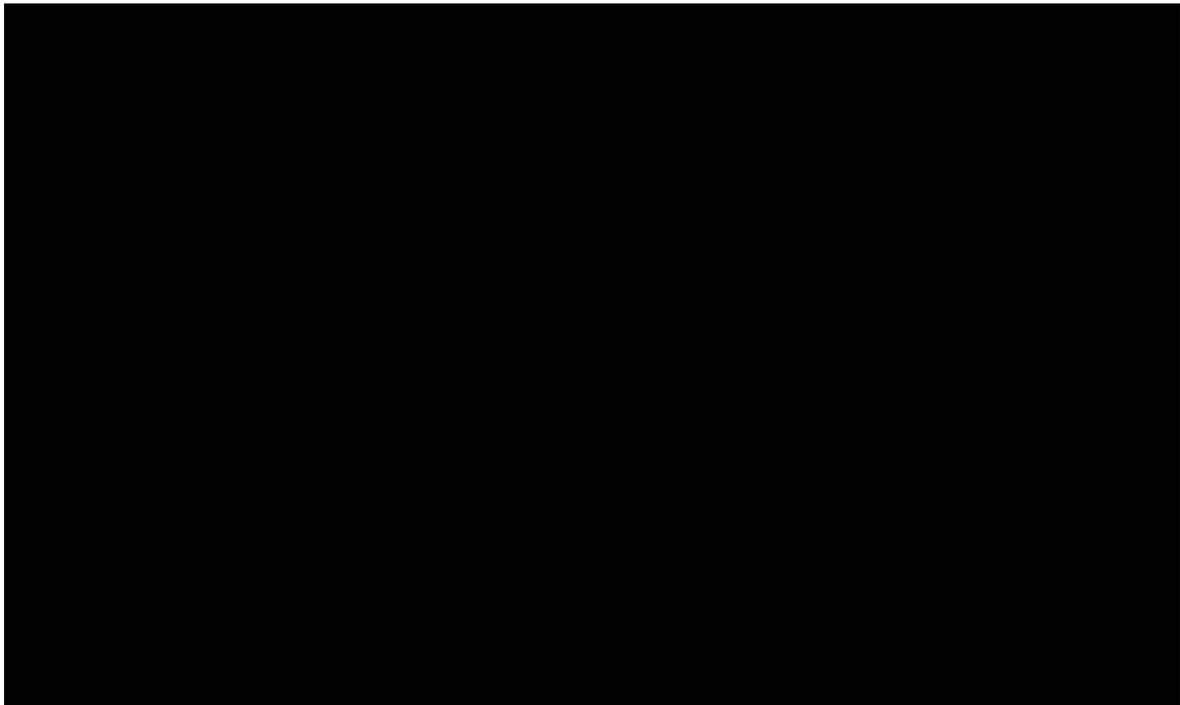
11. 7h.

Currently the Machine Records Division is preparing a tabulation of all items in stock which have experienced no activity for the past year. This tabulation will be reviewed by stock analysts and, excepting strategic reserve and those items which fall into the category of economic retention, an excess stock bulletin will be distributed to various Agency components listing these items and requesting that

they be reviewed in the light of current and projected needs. Negative replies will result in their being processed for disposal action. We concur in principle with the recommendation, however, it will be realized that "across the board" suspense or disposal action based on non-activity for one year is not compatible with the long range aims and missions of the Agency.

12. 71.

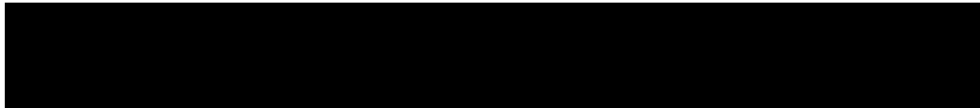
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13. 71.

1. DO NOT CONCUR. Several studies in connection with this recommendation have been conducted in the past two years and in each instant, it was not deemed advisable for the following reasons:

a.



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b. Shipping channels to certain areas can only be accomplished at Headquarters level.

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25X1C4a

25X1A6a. Establishment of the [redacted] procurement service (a similar service is in process of implementation at the [redacted] Depot) permits purchases of non-operational general administrative and housekeeping type items, considered as normal demand.

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25X1C4a [redacted] This has proven most efficient and obviates our stocking, in quantity, a variety of materiel that is [redacted] stock.

25X1C4a



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- d. Insufficient number of requests for repeat items.
- e. Establishment of a centralized storage depot, now in planning stage, will obviate storage, other than for immediate area support, at [REDACTED]

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Depots.

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TAB B

COMMENTS ON

ANNEX III

(Reference a)

Annex III

ANNEX III

(Paragraph 1)

"When this study was initiated, some 67 reports, Tab D, were being produced by Machine Records Division, Office of Comptroller, embodying data accumulated from transactions originating in the Supply Division, Office of Logistics. In reviewing these reports in the light of their distribution and use, this team has been unable to find justification for many of them and feels that some of them can be combined or replaced with more meaningful reports."

COMMENTS

1. Of the 67 reports noted, 35 are recommended to be eliminated (Tab E), 13 are recommended to be consolidated and 2 new reports are to be created (Tab F). Supply Division utilizes 56 of these reports (38 are joint reports for elements having requirement for same), leaving 11 reports which are prepared by Machine Records Division for other operating elements from data provided by SD/OL.

2. The proposal that the machine mechanism for maintaining nomenclature decks be discontinued affects the following reports, which are recommended for elimination. Therefore, comments concerning these reports are consolidated. The Supply Division does not concur in the elimination of Job Numbers 450; 470; 480; 485; 491; 492; 493; 494 and 498, as such would result in the following:

- a. If the alphabetic and numeric cross-reference list were eliminated, each individual stock control unit throughout the world would have to establish a manual cross-reference mechanism to replace these listings.
- b. Count cards required for inventory would have to be manually prepared.
- c. Listings containing nomenclature, unit of measure, unit price, etc., which are submitted to the field stations (eliminate the necessity for typing such information on status reports submitted semi-annually) would have to be prepared through a manual mechanism.
- d. Tabulations pertaining to world-wide requirement and asset studies would contain only the basic noun for each item.
- e. Catalog change bulletins would have to be prepared manually.

3. The remainder of the reports recommended for elimination on Tab "E" are covered individually as follows:

- a. Job No. 305-1 Stock on Hand - Status of Selected Allocations: CONCUR - providing such information separately identified is contained in the proposed Property in Suspense Report and such is made available to those components involved in assembly, modification and repair; adjustments resulting from questionable debit balances (warehouse refusals) and the disposal of surplus property. Recommend the Security Office be consulted relative to the elimination of Allocation 91.
- b. Job No. 308 Stock Accounting Controls: This report is of no concern to the Logistics Office. Suggest the matter of its elimination be referred to the Machine Records Division.
- c. Job No. 311 Stock In-Transit Transaction Register and Stock In-Transit Status: CONCUR - providing all items shipped between accountable offices are dropped from accountability upon shipment and that information pertaining to material transferred from ZI Depots is contained in the Stock-Status Report.
- d. Job No. 323 Subsidiary Costs by Allotment: This report is of no concern to the Logistics Office. Suggest this matter be referred to the Machine Records and Finance Divisions of the Comptroller's Office.
- e. Job No. 324 Stock Issues Procured from Non-Logistics Funds: CONCUR - in view of the fact that a copy of this report goes to the Finance Division, it is suggested that they be consulted on this matter.
- f. Job No. 326 Credit Report - DO NOT CONCUR. This is a cheap method of isolating and correcting errors in the stock accounts.
- g. Job No. 328 Stock Issues by Office and Division. CONCUR. Subject to the establishment of a manual method of controlling expenditures from the bulk stock accounts.
- h. Job No. 329 Dollar Value of Property - Activity. CONCUR. Shall initiate a memorandum to the Machine Records Division directing that its production be discontinued.

1. Job No. 330 Cumulative In-Transit Reconciliation. This report is of no concern to the Logistics Office. Suggest the Finance Division and Audit Staff be consulted on this matter.
- j. Job No. 332 Inventory Adjustments - On Hand Changes. CONCUR. Providing the information which it contains is reflected in the transaction register. Suggest the Audit Office be consulted on this matter as this is known as blind accounting, in that such transactions (affecting the stock accounts) are not supported with a voucher.
- k. Job No. 333 Inventory Adjustments - In Use Changes. CONCUR. Providing the information which it contains is reflected in the transaction register. Suggest the Audit Office be consulted on this matter as this is known as blind accounting, in that such transactions (affecting the stock accounts) are not supported with a voucher.
1. Job No. 358 Property In Use - Station - Project Accounts and Job No. 359 Property in Use by Stations (Consolidated Memorandum Receipts). CONCUR. Subject to installation of Financial Property Accounting (FPA): Type III Financial Property Accounting Procedures being implemented for all Detached Stations and Accountable Officers being designated for Headquarters Controlled Projects.
- m. Job No. 341 Stock In-Transit Value, by Destination. This report was discontinued 19 July 1957.
- n. Job No. 344 Unserviceable Communications Equipment. CONCUR. It is assumed that such information will be contained in the proposed Property in Suspense Report. It is suggested that the Office of Communications be consulted on this matter.
- o. Job No. 348 Procurement Lead Time. CONCUR. Stock Management and Requirements Section is currently implementing a procedure for establishing, insofar as possible, firm lead time factors for each item in the supply system. Until such time that this procedure is completely implemented, recommend that this practice be continued.
- p. Job No. 355 Stock Status - Accountable Stations. DO NOT CONCUR. To eliminate these reports would mean that each accountable station (to compile their semi-annual reports of stock status) would have to manually type stock numbers, nomenclature, unit price, etc., and that Stock Management and Requirements Section would have to manually consolidate these reports.

- q. Job No. 356 Value of Overseas Stock. CONCUR. Providing such information is made available through the Property Financial Accounting Procedures.
- r. Job No. 366 Stock In Use Allotment Accounts, Dollar Value. This report was discontinued 19 July 1957.
- s. Job No. 367 In Use Station Accounts by Allotment. This report was discontinued 19 July 1957.
- t. Job No. 382 Communications Issue Study. DO NOT CONCUR. Stock Management and Requirements Section and Office of Communications must have issue statistics. An analysis of these statistics, in conjunction with other factors, are utilized to establish stock levels.

(Paragraph 2)

"Under a proposed new manual procedure, this team would eliminate 35 reports and combine 13 reports into 6. The justification for this action with respect to each individual report is presented in the attached Tabs E and F. Elimination of these reports would result in an annual savings of approximately \$25,620, not including any savings in administrative costs, Tab C."

COMMENTS:

- a. Job No. 306. Due - In Status and Due - Out Status. CONCUR in consolidation of these 2 reports providing reference to purchase order and/or voucher number is contained therein. DO NOT CONCUR in consolidation of Due - In and Due - Out Transaction Register with the above 2 reports as such would make it extremely bulky and most difficult to use.
- b. Job No. 301 Receipts Register and Job No. 318 Stock Issue Register. DO NOT CONCUR. The daily receipts register accompanied by documents pertaining thereto are forwarded to the Finance Division on a more or less daily basis. To consolidate these reports and produce them on a monthly basis would mean that a backlog of documents would have to be accumulated for a period of at least one month. They would then have to be matched with items on these reports and forwarded to the Finance Division. It is considered advisable to spread this workload throughout the month. Suggest the Finance Division be consulted on this matter.

- c. Job No. 302 Ledger Posting and Job No. 319 Stock Issue Ledger. Of no concern to the Logistics Office. Suggest the Finance Division be consulted.
- d. Job Nos. 303 Stock on Hand Transaction Register and 304 Stock on Hand Status Report. DO NOT CONCUR. The Stock on Hand Transaction Register approximates 1000 to 1200 monthly transactions. No advantage to the Supply Division in consolidating these reports can be visualized as this means merely the addition of a like amount of lines representing each transaction to the Stock Status Report which would increase the number of pages accordingly, as well as increase the field of human error on the part of the Stock Editors who utilize the report for stock control. Therefore, do not consider that this would reflect a saving as it represents the addition of pages only. Such a report would assist the Audit Staff but without contradiction, would become burdensome and cumbersome to the Supply Division.
- e. Job No. 315, Property in Use Transaction Register and Property In Use Status. DO NOT CONCUR. Comments same as Job No. 303 above.
- f. Job No. 317 Stock on Loan Transaction Register and Stock on Loan Status. CONCUR
- g. NEW REPORTS. Comment withheld. This is more or less contingent upon a machine installation.

TAB



TAB B

COMMENTS ON

ANNEX IV

(Reference a)

Annex IV

ANNEX IV

1. No comment.

2. "One of these is indicated by the flow chart, Tab I, prepared by the SD/OL to show the current procedure in handling a requisition at headquarters; flow chart, Tab J, prepared by the [REDACTED] Depot showing a continuation of this process at the warehouse; and the SD/OL present requirements respecting the numbers of copies of Requisition Form 88, Tab K. Tabs L and M show this process step by step. Here, decentralization of functions has been carried to a point where control becomes burdensome beyond any possibility of economical procedure. A correction of this is suggested under a proposed new EAM-manual method of processing for both headquarters and warehouse, Tab N. No estimate of savings which should accrue as a result of this suggestion has been made.

25X1A6a

COMMENTS:

COMMENTS:

(2; TABS I and L)

1. The 10 operations indicated in these tabs are those which are required to insure efficient processing of requisitions. These functions have been developed and changed as a result of experience and are constantly being reviewed with the idea of eliminating or streamlining steps to further increase efficiency.

2. Although 63 steps (TAB L) are discussed, (DSCS), it is not to be construed that every requisition requires that number of processing steps. On the contrary, only a small percentage of the requisitions handled in DSCS are so processed. It should be pointed out, further, that several of the processing steps take place after a requisition is run-off and the action copies distributed and does not in any way delay the processing of material to the customer.

(2; TAB K)

1. The distribution of copies of Form 88 is dictated by requirements placed on Supply Division by Operating Elements of the Agency and by accepted supply practice. The distribution lists are continually under study and whenever possible, these are reduced to conform with existing requirements and/or sound practices. For example, the recent change in the procedures governing the "In Transit" account has resulted in a reduction of the number of required run-off copies of requisitions.

2. In regard to the 15 procedures for processing a requisition, the report implies that this is a haphazard and unsubstantiated method of distribution when, in fact, each procedure is dictated by the location of the material; whether the items are from stock or procurement or both; whether they are for cargo or local delivery; whether they are for stock replenishment, depot transfers, or for consumer use; and whether they are other than routine requisitions for material (shipping purposes only, repair requests and letter orders). Each type of requisition within this group is handled in the same manner each time and the manner, in turn, is

3. Of the 151 steps (Tab M), only 16 involve steps necessary for control purposes. This does not represent a high percentage when it is recognized that many of the steps listed are no more than a movement of the body. Of the major operations (Exhibit A), 2 concern direct and 2 partial controls.

(2; TAB N)

No comment at this time. This Tab proposes a change in our present requisition and shipping document processing procedure based on current manual/EAM facilities. This change, however, is tied in with the reorganization suggested in Annex V. Tab N will, therefore, be considered in continuing study of systems and procedures as proposed in reference (b).

3. (3)

"Another area, not directly related to EDP, is the flow of both paper and material in the [REDACTED] Depot. In making an analysis in this area, the team discovered that a simple requisition for a non-technical cargo passes through 151 steps (Tab M) and involves the use of from 50 to 86 pieces of paper in a minimum of 22 forms. In this process frequent trips for "control" purposes are made back and forth between the Locator Office and various stations in the warehouse, by devious routes involving many unnecessary steps of time-consuming travel. With respect to the bin area alone, Tab O shows the present general paths of paper flow; Tab P shows present and proposed paths of material flow; and Tab Q shows an analysis of travel to be saved using the suggested paths - an average saving of 26.5%."

25X1A6a

COMMENTS:

(3)

1. It is noted (Tab M) that 151 steps are required to process a requisition in the [REDACTED] Depot, for a non-technical item. Twenty-five (25) (EXHIBIT A) operations are required to process a requisition for air and/or sea cargo (local deliveries require 9). As may be noted, the 151 steps referred to include motions incidental to receipt and forwarding documents, e.g., receives and sorts, date and time stamps, places in out box, distributed; receives and sorts, goes to Kardex file, searches for line items, etc.; (step 28) notes location of items on 88 (meaning of course that the Form 88 is read); and so on in steps 29-31; 37-39; 43; 49-50; 53; 66-67; 68; 70-71; 77-78; 80-101; 108-109; 111-112; and 119, all of which are physical motions incidental and absolutely necessary to pick, pull, package, crate, stencil, and move cargo in order to fill a requisition.

25X1A6a

2. A recapitulation of the number of pieces of paper required reveals that a maximum of 36, not 50 to 86, are used.

3. The legend on Tab M (Annex IV lists 9 forms being used and yet it is stated that 22 are in use. Listed below are the forms used in processing a requisition in the [REDACTED] Depot:

25X1A6a

<u>Form</u>	<u>Quantity</u>
Form 88	6
Requisition Processing Sheet	2
Voucher Control Card	4
Packing Instruction	1
77 Cargo Recap Sheet	1
291 Shipping Document	21
228 Cargo Locator Card	$\frac{1}{36}$

It should be noted that 29 of the 36 pieces noted is not within the jurisdiction of the depot to determine the number of copies required. Also, the Identification Card is not listed as this is not in a true sense of the word a form; the form 222 is no longer in use and the Cargo Count Sheet is not used in processing a requisition.

4. The inference is that "Voucher Status Control Slips: (VSC's) are carried on an individual basis to Locator, and that posting is done on an individual basis. This is definitely not done. VSC's are retained in the work units during the day and delivered to Locator on a one-time basis, usually at 1615 hours, at which time posting for the entire day is done. The only exception to the above procedure is when an emergency requisition is processed, then and only then will it be followed through by an individual. When this becomes necessary, the expeditor will return to his desk for the estimated period of time required for each operation, rather than stand and wait 15 to 45 minutes when he could be accomplishing some desk work. Also, when supervisory personnel make periodic inspection trips through the warehouse, not specifically for the purpose of picking up documents, they will pick-up completed documents and return them to the office. These exceptions most assuredly cannot be construed as frequent trips for control purposes.

5. CONCUR in recommendation, Tab P, for routing of receipts for bin and cargo processing and for stock issue cargo. There is on order 300 pallet rack openings to be located adjacent to the bin area. This program will require rewarehousing a section of the bin area and the proposed plan will be implemented to the extent possible at that time (implementation approximately 1 January 1958).

- a. Dock can accommodate only 2 trucks at a time. When as many as 3 to 5 trucks are loaded simultaneously.
- b. Furniture and bulk stock would have to be transported from an area relatively free of activity through and to the most congested area of the building.
- c. Trucks occupying the dock would prevent periodic removal of trash to the incinerator, which was located near this exit for convenience.

4. (4)

"The EDP team presumes that the "control" reporting to the Locator is necessary to enable the Locator to answer inquiries regarding the shipment of material. Such inquiries undoubtedly arise because of the length of time presently required for material to be shipped from the warehouse - 5 to 20 days for material in stock. The team was informed that the devious routes of travel are necessary to protect certain areas of the depot against entry by unauthorized warehouse personnel. Yet, the gates leading into such areas are equipped with tools which permit anyone to open them. Speeding up shipment of material should result from the proposed new "Requisitioning in Conjunction with Catalog" process (Annex II) with resulting elimination of most of the inquiries, and therefore, the necessity for "control". Straightening the paper and material flow paths should further eliminate much internal travel. Elimination of all unnecessary forms (now required in many cases because of "control") should do away with much paper work. No estimate of dollar savings incidental to the implementation of these suggestions has been made."

COMMENTS:

(4)

1. It has also been inferred that controls are necessary due to the time required for processing cargo shipments through the Depot. It must be remembered that cargoes are scheduled to be packed for transportation on a specific date prior to receipt of the document at the Depot, and all work units are organized to assure processing the document with the closest transportation deadline. However, on many occasions deadline changes or other matters pertaining to the shipment necessitate the spotting of the package at whatever stage of the process it may be. With the present controls, the Depot within a matter of minutes, is able to provide a reading as to the stage of completion of any document in process at any given time. This information was not available to a central point prior to establishment of controls, and as a result, it was necessary to check up to seven separate work units to obtain information on the status of a document. This condition was the primary reason for establishing a central control, and to eliminate

it would result in much more lost time than is now utilized in maintaining a central control point.

2. The following recapitulation of shipments obviates further comment on the processing time:

HEADQUARTERS DELIVERIES - 1957:

	1 - 3 Days	4 - 6 Days	Over 6 Days
AUGUST	254	164	82
JULY	195	33	32
JUNE	222	83	49
MAY	308	126	76
APRIL	<u>297</u>	<u>96</u>	<u>41</u>
	1276	502	280

It should be noted that 88% of all deliveries were completed in six days or less and 62% in 1 to 3 days.

AIR AND SEA CARGO - 1957:

	1 - 3 Days	4 - 9 Days	10 Days and Over
AUGUST	54	265	734
JULY	41	223	427
JUNE	71	447	409
MAY	89	505	285
APRIL	<u>61</u>	<u>368</u>	<u>371</u>
	316	1808	2226

It should be noted that 49% of all shipments processed were completed in nine days or less, which is consistent with comparable Department of Defense Depots.

3. The area referred to is that which encloses sensitive materiel which, during working hours, is under the control of personnel assigned to handle the materiel therein. The "tool" referred to is a "key" enclosed in a small wooden box with a glass front. The key must be provided for the guards (night), for use in the event of an emergency, and can only be obtained by breaking the glass. The removal and/or moving of this enclosure is being considered in the long range continuing warehousing program.

Approved For Release 2000/08/17 : CIA-RDP78-04376A000100080003-1  
The only conceivable speed-up of shipping material as a result of the proposed requisitioning process, will be the time now required to transmit documents to the Depot which is twice daily.

5. Elimination of most inquiries -- any proven system that would eliminate inquiries, except notifying the originator on a daily basis, will most heartily be accepted. Elimination of control -- the manual "Storage and Materials Handling" TM 743 - 200 AFM 67-3 is the operating guide for service warehouse activities which has been adopted for Agency use, (Supply Division Instruction 60-1, dated 10 May 1957, EXHIBIT 8), states the following in regard to document control, Chapter 3, Section 1, paragraph 3.1.2.1.:

"The control and processing of documents are basic to effective operations. It is therefore essential that adequate controls be established to provide appropriate measures which will avoid confusion in their handling and at the same time provide information respecting their status at all times. Such controls can be established through the use of document registers or through filing of suspense copies, microfilming, etc. The specific type of control to be used will be determined by the appropriate service."

6. "Elimination of all Unnecessary Forms." CONCUR. To this end, a continuing study will be made. However, clarification should be made at this point regarding usage of uncontrolled forms, which it is believed, the team considered unnecessary, and were counted as forms used in processing a document which is a gross misconception of sound management. These are tally sheets which are utilized for the daily workload count. Various work units of the depot submit, on a daily basis, a report which reflects the work pending from the previous day, the work received and the production during the period and other pertinent information concerning the activity. The information provided from this source is vital to any warehousing activity. "Storage and Materials Handling Manual" TM 743 - 200 AFM 67-3, Chapter 3, Section 11, paragraphs 3.2.1.2.3.1. -- "Careful evaluation of the daily workload in order to determine equipment and personnel requirement is an important factor in effective planning."

7. The report comments on the use of 174 different forms in the requisitioning, receiving, and shipping operation of SD/OL. While issue is not being taken with the alleged number, it is pointed out that the forms used for official purposes within Depot Stock Control Section are approved and any additional forms are used primarily to facilitate internal control and the preparation of productivity reports.

5. (5)

"The Locator records (at the Depot) are presently contained in Kardex safe cabinets and depot document filing is maintained in 4-drawer safe files. TAB R shows the cost of these safes and the annual cost of floor space and (Locator) personnel required to maintain them. TAB S shows these costs under a proposed new manual system, using a Model Master rotary file for Locator and shelf filing for documents in a secure area. TAB T shows similar costs (without rotary file, which would be unnecessary) under a computer system. An analysis of these various costs indicates the following savings:

	<u>One-Time</u>	<u>Annual</u>
New Manual System	\$13,228.41	\$ 8,056.52
Computer System	<u>14,293.41</u>	12,136.52

TABS U and V show floor space released, and increase in utilization."

COMMENTS:

1. CONCUR - that a drum type rotary file or preferably a console type tub file be obtained for the locator system.

2. An area be vaulted and shelf filing be installed for the Receiving and Packing, and Shipping Units' records. This shall be subject to inspection and approval of the Office of Security.



TAB B

COMMENTS ON

ANNEX V

(Reference a.)

Annex V

ANNEX V

This Annex outlines a reorganization of the Supply Division based on the assumption that an Electronic Data Processing system will be adopted for the Supply Division. As indicated in reference (b), the Supply Division has agreed to make a continuing study of its systems and procedures to increase efficiency in the accomplishment of its mission, regardless of the data processing system adopted. A part of this study will encompass the recommendations contained in Annex V, and comments will be forthcoming when this study is completed.

We wish to comment at this time, however, on Paragraph 6, Annex V, which states: "To provide effective liaison with the several components of the Procurement Division/OL, the Identification and Cataloging Branch, Supply Division/OL should be placed in the Procurement Division."

It is difficult to determine why such a recommendation was made, since more than eighty percent of the work of the Identification and Cataloging Branch is done with the components of the Supply Division, and less than twenty percent with the procurement Division and other parts of the Agency. We DO NOT CONCUR with this recommendation.

**TAB B**

**EXAMPLE A**  
XXXXXXXXXXXXXXXXXXXX

**OFFICE OF CHIEF I**

1. Receives and Time Stamps Form 88.
2. Distributes Form 88 and Advance Copies.

**LOCATOR UNIT II**

3. Searches Locator File and annotates 88 with locations for each item.
4. Assigns Lot Number, Attaches VSC and Distributes to proper warehouse Unit.
5. Files suspense and places lot tag on control board.

**BIN/BULK SUB-UNIT III**

6. Packages received by appropriate unit and filed by suspense or delivery date.
7. Warehouseman pulls property in accordance with suspense or delivery date, checks on action Form 88 items filled.
8. Identifies material as to Voucher Number and Item Number and forwards material and package to the next appropriate work unit, VSC is detached, time stamped and held for return to Locator on a daily basis at 1615 hours.

**CARGO RECEIVING IV**

9. Receives material and package from bin, bulk verifies quantity and places material in temporary hold storage noting location on Form 88.
10. Forwards package to Packing and Shipping Office for preparation of Master VSD (291).
- 9\* Local shipments received by Depot Services Section and held for weekly delivery schedule

**PACKING AND SHIPPING UNIT V**

11. Receives advance Form 88, prepares pending folder and files, utilizing Form CRS 77.
12. Receives package from cargo receiving, folder is pulled, forwarded to typist for preparation of Master VSD (291).
13. Master VSD (291) prepared, folder is filed in suspense file and master forwarded to Cargo Packing Sub-Unit.

**CARGO LAYOUT VI**

14. Master VSD (291) received from Packing and Shipping Office and filed by schedule packing date.
15. VSD (291) and material pulled according to schedule date and forwarded on conveyor lines to packing layout table.
16. Confirms Line Item, spot checks identification, plans packing and boxing such as number of cases and method of packing. Information is annotated on VSD (291) and identification card in duplicate used for instruction and identification (Form 222 no longer required).
17. Reproduce two copies of VSD (291) for insertion in number 1 box as packing slip. Packing slip forwarded on conveyor line to Packing Station, Master VSD (291) forwarded to weighing and cubing

**PACKING BOX & CRATING GROUP VII**

25X1A11a

18. Packer [REDACTED] packages material in accordance with instructions appearing on Identification Card and Packing Slip (method such as I or II) and forwards material on conveyor line for final packing.
  19. Measuring and submission of Identification card to box factory.
  20. Boxes or crates constructed per Identification Card and forwarded to final packing station.
  21. Final Packing of package into exterior container per instruction and established procedures.
- 25X1A11a
22. [REDACTED] weighing, cubing and marking of packed cargo as appropriate.
  23. Preparation of Cargo Locator and Record (Form 228) forwarded accompanied by packed cargo to Transportation.
  24. Completion of VSD (291) Master consisting of insertion of case number, number of cases, weight, cube, and diameter and reproduced in proper number of copies and forwarded with Packing Instruction Sheet to Packing and Shipping Office (Reproduction Machine located in final packing area). Two copies of VSD (291) forwarded to Transportation [REDACTED] Depot Office.
  25. Packing and Shipping Office makes distribution of VSD (291) in accordance with established regulation, forwards RPS to Locator which indicated processing completed, files Master VSD (291) in folder.

A6a

**TAB B**

**EXAMPLE B**

**S E C R E T**

10 May 1957

**SUPPLY DIVISION INSTRUCTION  
NO. 60-1**

**WAREHOUSING**

**STORAGE AND MATERIALS HANDLING**

1. Effective this date, Joint Manual of the Departments of the Army, Navy, Air Force, and the U. S. Marine Corps titled "Storage and Materials Handling" is the official storage manual of the organization for the [REDACTED] Depot Complex. All activities within the command structure of Supply Division will operate in accordance with this publication which herewith becomes an integral part of this Instruction as Appendix No. 1.

25X1A

2. This Manual is officially numbered:

Department of the Army Technical Manual..... TM 743-200  
Department of the Navy NAVSANDA Publication.. NAVSANDA PUB 284  
Department of the Air Force Manual..... AFM 67-3  
U. S. Marine Corps Joint Publication ..... NAVMC 1101

Departments of the Army, Navy, Air Force, and the U. S. Marine Corps.

3. Specific exceptions to applicability will be made by activity by other publications of this series.

/s/ [REDACTED]

25X1A9a

CHIEF, SUPPLY DIVISION

**DISTRIBUTION: D**

**OL/SD/SP&PS: [REDACTED] :Se/4230 (7 May 1957)**

25X1A9a

**S E C R E T**

REFERENCE A

Memorandum to Deputy Director (Support) from Management Staff,  
dated 19 August 1957, subject: Electronic Data Processing  
Feasibility Study of Supply Division, Office of Logistics.



S E C R E T

19 August 1957

MEMORANDUM FOR: Deputy Director (Support)

SUBJECT: Electronic Data Processing Feasibility Study of Supply Division, Office of Logistics

This memorandum contains recommendations submitted for DD/S approval. Such recommendations are contained in paragraph 5.

1. PROBLEM:

- a. Determine the feasibility and advisability of applying electronic data processing (EDP) to the procedures of the Supply Division, Office of Logistics.

2. FACTS BEARING ON THE PROBLEM:

- a. It has been accepted generally by both commercial enterprises and governmental agencies that inventory control offers one of the best fields for EDP. Such control in the Agency is maintained principally through the processing of purchase orders, receipts, requisitions and shipments, and the compilation of reports incorporating the data accumulated from these documents.

25X1A11a

- b. Large stocks of Agency material (material) are maintained at the

25X1A11a

25X1A11a

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- 
- 
- c. For Agency use an item of material is identified by a stock number and more or less extensive nomenclature, plus a four-part code to

An item thus identified is called a "line item". A variance in one or more parts of the code creates a different line item, even though the stock number and nomenclature are identical with other line items. Items for which the SD/CL is accountable are carried as "in stock" or as "property in use".

- 
- 
- 
- d. Records of the SD/CL indicated that, as of 30 June 1957, a total of 39,304 items of possible Agency use had been identified and assigned stock numbers and nomenclature. Of these, 20,005 were in stock (or carried on stock-status reports compiled periodically). Because of variances in codes these 20,005 items represented approximately 27,000 line items. In addition, the property in use items totalled approximately 11,000 line items.

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25X1A6a

**S E C R E T**

e. Stock-status reports are prepared by Machine Records Division, Office of the Comptroller, and are up-dated in total from previous balances by transactions in receipts, requisitions and issues, and shipments. In the interim between reports such up-dating is performed in detail manually by the Stock-Editing Unit SD/OL. Records of the SD/OL indicate that during FY 1957 there were processed 15,499 receipts, 17,426 requisitions and 52,399 shipments. The requisitions represented 78,219 line items, but no totals of line items were available for receipts and shipments. Each receipt, requisition and shipment requires one or more original documents and one or more entries.

25X1A2g f. Requisitions may be originated by headquarters components, by Stock Management Section, SD/OL (for replenishment) or by components outside of headquarters. The latter may be referred directly to OL through the [redacted] indicator.

25X1A6a g. Currently, at least 174 different forms are used at headquarters and the [redacted] Depot in the receiving, requisitioning and shipping operations of SD/OL. Only 50 of these have been approved by Forms Management Branch, Records Management Staff.

h. At least 214 steps are involved in the present method of processing a requisition for a non-technical cargo. While the same requisition form may be used for all requirements, at least 15 different procedures have been used in handling them; there appears to be no standard for all. Inventory control data is all produced manually by SD/OL and reproduced in MRD by card punching each item for printing reports.

i. At the inception of this study 67 reports were being produced by MRD on IBM tabulating equipment from data produced in SD/OL. Ten people are required for this work.

25X1A6a j. The [redacted] Depot (control procedure) is so arranged that, not only the flow of material, but the handling of paperwork is cumbersome. Deliveries of material to headquarters frequently require several weeks. No visits have been made to other depots in connection with this study.

k. The Mission of the SD/OL (See Instruction No. LI-1-140-7, 4 December 1956) is stated as follows:

"Formulate, implement and administer plans, policies, procedures, methods and standards for the operation of the Agency supply system in order to receive, inspect, account for, store, maintain, issue and dispose of Agency materiel."

S E C R E T

25X9A2

25X9A2

1. Within the OL ceiling and T/O of [redacted] positions the SD, of which number 111 are headquarters, and [redacted] Depot positions. The Supply Operations Branch (48 headquarters) and the [redacted] Depot account for [redacted] positions of which at least 60 appear to be engaged full time and an equal number part time in the functions of stock management, stock editing, locating, receiving, document processing, etc.

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25X1A6a

25X9A2

- m. The IBM 350 RAMAC is an electronic computer having memory storage capacity for 50,000 records of 100 characters each, and computing speed capable of handling all of the data arising from such documents as purchase orders, receiving reports, requisitions, etc., randomly at a rate of over 300 line items per hour, simultaneously turning out shipping documents, replenishment lists, and punched cards for printing such reports as might be essential to maintain inventory control and furnish compiled data for accounting purposes, program analyses, audit trails, and stock research and management. It would eliminate the necessity for most of the stock editing, locating and document processing, and, with proper programming, make many logical decisions now the responsibility of the Stock Management and Requirements Section, OL.
- n. Two flexowriters are in the process of being installed in OL, one in the headquarters Procurement Division and one in the Receiving Unit, Washington Depot, to simplify the procurement and receiving procedures.
- o. This report embodies the results from approximately 25 man-months of study on the part of a feasibility team consisting of 4 members from Management Staff, assisted from time to time by 3 others from Management Staff, 1 from Supply Division and 1 from Admin. Staff, OL and 1 from the Office of the Comptroller. The latter 2 have collaborated in arriving at most of the conclusions contained herein. The cost is estimated at \$19,650.

3. DISCUSSION:

- a. In conducting this study the specific requirements of the Comptroller, Annex I, Tab A, and a general procedural outline of possible computer application, Tab B, were set up as guides. For convenience the work was divided into several sections each of which is discussed separately in the other Annexes attached hereto and may contain suggestions which amount to subsidiary recommendations.
- b. Annex II describes the present requisitioning procedure and shows how a change in this procedure in conjunction with publication of a catalog in two parts would simplify even a manual procedure; how

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S E C R E T

25X1A2g

elimination of the [REDACTED] indicator could reduce criticism and possibly speed up shipments; and why carrying material "in stock" under more than one classification code is unnecessary. Paragraph 7 contains 9 specific suggestions.

- c. Annex III lists the 67 reports (Tab D) which were being produced from SD/OL data by the MRD at the time this study was started. Elimination of 35 (Tab E) and combination of 13 others into 6 (Tab F) of these 67 reports is justified even under a manual procedure, with an indicated annual saving of \$25,620. Under a computer system, 15 new reports (Tab II) would replace all 67 with an indicated annual gross saving of \$84,000.
- d. Annex IV points up through Tabs I, J, K, L, and M the necessity for "control" that has accrued because of decentralization of functions and excessive detail, both at headquarters and the [REDACTED] Depot. 25X1A6a  
It has been estimated that as many as 2,000,000 pieces of paper are generated annually. Tab N suggests a different procedure to simplify this work under an Electric Accounting Machine-Manual operation. No estimate of dollar savings which might result has been made. On the other hand, in certain filing areas at the [REDACTED] Depot, 25X1A6a  
Tabs R, S, and T, definite dollar savings are indicated amounting to some \$13,000 one-time and \$8,000 annually under a manual system, or \$14,000 one-time and \$12,000 annually under a computer system. Tab W furnishes some pictorial information re these problems. All indicate the need for a complete management study.
- e. Annex V shows under Tab X a complete sub-division of the SD/OL into its various components and, under Tab Y, the specific functions of each, and serves to emphasize the extent to which decentralization has necessitated the build-up of control mechanisms with resulting unnecessary forms and steps. It also shows in paragraphs 3 and 4 that installation of electronic processing equipment and a reorganization of certain components will result in an annual gross saving in payroll of at least \$165,000.
- f. Annex VI shows the advantages of the IBM 305 RAMAC over other types of computers; how the SD/OL work would flow through this computer (Tab Z) and the time it would take (paragraph 5); data on installation (Tab AA) at an estimated cost not to exceed \$10,000; and monthly operating cost (paragraph 7) of \$7,416.07. The MRD presently has all peripheral equipment except a tape-to-card converter (required to make full use of the flexwriters with or without a computer); in fact, some MRD equipment can be dispensed with if the computer is placed under its supervision. On the other hand, should the computer be

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**S E C R E T**

placed elsewhere it will be necessary to provide duplicate peripheral equipment and train other employees to operate it, at an increased cost of at least \$2,500.00 per month. It is worthy of note that IBM and many companies represented at seminars attended by members of this team report that best results are obtained by centralizing all computer operations under one head.

- g. Annex VII describes in general and by detail charts, Tabs AE, AF, and AG, how the flexowriter installation may be used to simplify all procurement action from the receipt of a requisition through invitation to bid, actual procurement, receiving and accounting. It also indicates justification for the transfer of the Identification and Cataloging Branch from the Supply Division to the Procurement Division, OL.
- h. Annex VIII analyzes the estimated cost of making this study, which must be counted against the advantages to be gained. It is felt that a similar study might have been made at a somewhat lower cost if a team of full time personnel, especially representatives of the Comptroller and Director of Logistics, had been available from the start.
- i. Annex IX reflects the net dollar savings and costs (excepting the cost of this study), as estimated by the feasibility team, in the areas where such values were assigned, from improvements in present procedures, as follows:

	<u>Without Computer</u>	<u>With Computer</u>
ONE-TIME SAVINGS	\$16,623.41	\$ 272.34
NET ANNUAL SAVINGS	33,676.52	172,143.68

**4. CONCLUSIONS:**

- a. Application of electronic data processing to the procedures of the Supply Division/OL is both feasible and advisable.
- b. Improvements in the manual procedures of SD/OL, as outlined in the Annexes, should result in appreciable dollar savings and increased efficiency of operation.
- c. Immediate installation of an EDP system should result in very substantial dollar savings and efficiency of operation, and provide a means for its operating unit and/or others to acquire practical experience in the techniques of EDP essential in connection with this or any larger computer which subsequently might be installed. Such installation should be under the control of MRD.

**S E C R E T**

- d. Organization changes in two Divisions of OL, as indicated in the Annexes, should result in much greater efficiency of operation.
- e. A complete management study of all phases of procurement, supply and transportation functions in the Agency should result in much greater dollar savings and efficiency of operation.

**5. RECOMMENDATIONS:**

It is recommended that:

- a. Reports, as listed in Tab E be discontinued and those listed in Tab F be combined, as indicated, forthwith.
- b. The suggestions outlined in Annex II, paragraph 7, be implemented by the date of computer installation (estimated at 6 months after approval of this report).
- c. An IBM 305 RAMAC and such peripheral equipment as may be required to support it be installed in the MRD on a rental basis at the earliest date possible (estimated delivery, 6 months), and funds in the amount of \$10,000 be allocated to cover the cost of installation.
- d. The organizational changes suggested in Annex V, Paragraph 6 be implemented at once, and those in Paragraphs 3.b. and 5. be implemented concurrently with the installation of a computer.
- e.(1) OL personnel (possibly three) be assigned by the Director of Logistics on a full time schedule for implementing the EDP procedures listed herein and for studying the potential and use of the IBM 305 RAMAC. (Full knowledge of the RAMAC is essential in implementing the new procedures and developing future applications).
- (2) MRD personnel (five) be assigned by the Comptroller to the operation of the IBM 305 RAMAC and be enrolled in IBM courses of instruction covering all phases of RAMAC operation, programming, use and maintenance techniques.
- (3) The Chief, Management Staff be made responsible for directing and assisting the above OL and MRD personnel; establishing completion schedules covering the periods of implementing procedural changes, training and installation of the RAMAC; and for rendering periodic progress reports to the DD/S, the Director of Logistics and the Comptroller.

-6-

**S E C R E T**

**S E C R E T**

- f. During the period of preparation for the computer installation a complete management study of all OL procurement, supply and transportation functions and operations be conducted.
- g. The Records Management Staff immediately institute a survey of all unauthorized forms being used by the SD/OL.

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Chief, Management Staff

**ANNEXES:**

See Table of Contents

The recommendations in paragraph  
5 are Approved:

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Date

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L. K. WHITE  
Deputy Director  
(Support)

**DISTRIBUTION:**

Orig. & 1 - MD/S  
2 - Dir. of Log.  
1 - Comptroller  
1 - Mgt/S

Mgt/S/DLD:ee (19 Aug 1957)

REFERENCE B

Memorandum to Director of Logistics from Chief, Supply Division,  
dated 4 September 1957, subject: Electronic Data Processing  
Feasibility Study of Supply Division, Office of Logistics.



Director of Logistics

4 September 1957

Chief, Supply Division, OL

Electronic Data Processing Feasibility Study of Supply Division,  
Office of Logistics

REF : Memorandum to Deputy Director (Support) from Management Staff, Dated  
19 August 1957, Subject as Above

1. A committee of five [REDACTED]  
[REDACTED], have been appointed to conduct a thorough study of the gray  
areas pointed up in the reference report. Mr. [REDACTED] will head the  
group and shall be responsible for accomplishing the study and report-  
ing their findings on a priority basis.

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2. Only the recommendations pertinent to management will be  
considered, i.e., recommendations a, b, d, and g, and the subsidiary  
recommendations contained in Annexes II, III, IV, and V. However, a  
continued study will be made of the system and procedural changes and  
the reorganization which has been recommended on the assumption that  
an Electronic Data Processing system will be adopted for the Supply  
Division.

/s/ [REDACTED]

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Distribution:

Orig & 1 - Addressee

- 1 - [REDACTED]
- 1 - [REDACTED]
- 1 - [REDACTED]
- 1 - [REDACTED]
- 1 - [REDACTED]
- 1 - OL/SD
- 1 - OL/SD/SP&PS Official

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OL/SD/SP&PS [REDACTED] se/4230 (3 Sept.1957) 25X1A9a

**SECRET**

**C O N F I D E N T I A L**

**SUPPLY DIVISION INSTRUCTION  
NUMBER 30-1**

**1 March 1957**

**MANAGEMENT**

**Management Improvement Program**

1. The purpose of this Instruction is the establishment of a "Management Improvement Program" within the Supply Division. This program is a broad, long range one which will furnish management with the necessary tools to provide factual analyses for Budget Planning, Personnel Requirements, Programming, Scheduling, Cost Accounting and Work Simplification.

2. In recent years, the financial management practices of the Federal Government have been given increasing attention and study by the executive agencies and the Hoover Commission. A group of recommendations resulting from these studies was enacted into law as Public Law 863 and signed by the President on 1 August 1956. It establishes in law a basic principle for Government budgeting and accounting - the development and use of cost information.

3. One of the provisions of this law is that agencies shall take whatever action may be necessary to achieve support of the budget justification by information on performance and program costs by organizational units including breakdown data on accomplishments, including work measurement information by units.

4. To implement Public Law 863, the Supply Division will initiate a Management Improvement Program.

a. The first part of this program will be the installation of a Work Measurement System in all units of the Division.

b. The second part of the program will be a Work Simplification system to ensure the most effective use of available manpower.

c. The third part will be an integrated reports system to provide the various levels of management with the data needed to determine effectiveness of operations.

d. The fourth and final part will be the development of cost data for all operations of the Division.

5. The purpose of this Management Improvement Program is to determine what we are doing now, what should be done, the best methods for doing it, and the actual cost for each step. With the enactment of Public Law 863, these purposes, which have never been objected to by any level of government, have now been given official status and will be accomplished in an orderly manner. Personnel at all levels of this Division will cooperate with this program and take steps necessary to ensure its success.

6. The attachment to this Instruction outlines target dates for the various parts of the program as it affects each component. Due to the diverse manage-

**S E C R E T**

**SUPPLY DIVISION INSTRUCTION  
NUMBER 30-1**

**PAGE 2**

ment problems in the various components, the schedule will not be the same for all units. For instance, Work Simplification is not indicated as such. Parts of the Work Simplification which are identified are: written procedures, flow charts, personnel utilization, etc. Further studies will be undertaken when a need for them is indicated.

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**CHIEF, SUPPLY DIVISION**

**Distribution F**

**OL/SD/SP&PS**  **:mcb/4230 (7 February 1957)** 25X1A9a

CONFIDENTIAL

SUPPLY DIVISION INSTRUCTION No. 30-1

ATTACHMENT A

	JANUARY 1957	FEBRUARY 1957	MARCH-MAY 1957	JUNE-AUGUST 1957
CHIEF SD			INSTALL W. M. SYSTEM	1. REVIEW W.M. SYSTEM (REVISE W. M. UNITS)
SPAPS IIS ORS				2. WRITTEN PROCEDURES FOR S. D. MANUAL
ICE	INSTALL WORK MEASUREMENT SYSTEM		1. REVIEW W. M. SYSTEM (REVISE W. M. UNITS) 2. PREPARE PROCESS AND FLOW CHARTS 3. WRITTEN PROCEDURES	1. ANALYTICAL REVIEW OF W. M. SYSTEM 2. ESTABLISH NORMS 3. DEVELOP INTEGRATED REPORTING SYSTEM
STB BSO WD		INSTALL W. M. SYSTEM	1. REVIEW W. M. SYSTEM (REVISE UNITS) 2. PREPARE PROCESS AND FLOW CHARTS	1. WRITTEN PROCEDURES 2. ANALYTIC REVIEW OF W. M. SYSTEM 3. ESTABLISH NORMS 4. DEVELOP INTEGRATED REPORTING SYSTEM
SOB		INSTALL W. M. SYSTEM	1. REVIEW W. M. SYSTEM, (REVISE W. M. UNITS). 2. PREPARE PROCESS AND FLOW CHARTS. 3. WRITTEN PROCEDURES.	1. ANALYTICAL REVIEW OF W. M. SYSTEM. 2. ESTABLISH NORMS 3. DEVELOP INTEGRATED REPORTING SYSTEM.
DCS SMRS	PILOT INSTALLATION OF WORK MEASUREMENT SYS- TEM (COMPLETE).	1. PREPARE PROCESS AND FLOW CHARTS 2. REVIEW W. M. SYSTEM (REVISE W. M. UNITS)	1. WRITTEN PROCEDURES.	1. ANALYTICAL REVIEW OF W. M. SYSTEM. 2. ESTABLISH NORMS 3. DEVELOP INTEGRATED REPORTING SYSTEM
ECD WCD ONE	<u>1/</u>			

1/ Schedule subject to change if Proposed Central  
Storage Depot is approved

CONFIDENTIAL

SUPPLY DIVISION INSTRUCTION NO. 30-1

ATTACHMENT A

	SEPT - NOV. 1957	DEC. 1957 - MARCH 1958	APR. - JUNE 1958	JUL. - DEC. 1958
CHIEF SD	1. ANALYTICAL REVIEW OF W. M. SYSTEM.	1. REVIEW NORMS - ESTABLISH STANDARDS	1. W. M. STATISTICAL ANALYSIS FOR BUDGET AND PERSONNEL REQUIREMENTS.	1. CONTINUED REVIEW MANAGEMENT IMPROVEMENT PROGRAM
SPPS	2. ESTABLISH NORMS	2. W. M. MONTHLY SUMMARY OF PRODUCTION EFFECTIVENESS		2. S. D. MANUAL
IIS	3. DEVELOP INTEGRATED REPORTING SYSTEM	3. STATISTICAL ANALYSIS OF W. M. SYSTEM		
	4. PREPARE PROCESS AND FLOW CHARTS			
ICB	1. REVISION OF PROCEDURES EFFECTING UNITS OUTSIDE OF SD.	SAME AS ABOVE	SAME AS ABOVE	SAME AS ABOVE
STB	1. REVISION OF PROCEDURES EFFECTING UNITS OUTSIDE OF SD.			
BSO	2. ANALYTICAL REVIEW OF W. M. SYSTEM	SAME AS ABOVE	SAME AS ABOVE	SAME AS ABOVE
WD	3. ESTABLISH NORMS			
SOB	1. REVISION OF PROCEDURES EFFECTING UNITS OUTSIDE OF SD	SAME AS ABOVE	SAME AS ABOVE	SAME AS ABOVE
VS				
DSCS	1. REVISION OF PROCEDURES EFFECTING UNITS OUTSIDE OF SD.	SAME AS ABOVE	SAME AS ABOVE	SAME AS ABOVE
SMRS				
BCD	INSTALL WORK MEASUREMENT SYSTEM	1. ANALYTICAL REVIEW of W. M. SYSTEM	1. H. M. MONTHLY SUMMARY OF PRODUCTION EFFECTIVENESS.	
WCD 1/	2. REVIEW W. M. SYSTEM (REVISE W. M. UNITS)	2. DEVELOP INTEGRATED REPORTING SYSTEM	2. STATISTICAL ANALYSIS OF W. M. SYSTEM	
ONE	3. PREPARE PROCESS AND FLOW CHARTS	3. WRITTEN PROCEDURES.	3. CONTINUED REVIEW OF MANAGEMENT IMPROVEMENT PROGRAM.	
		4. REVIEW NORMS-ESTABLISH STANDARDS	.. SD MANUAL	

1/ Schedule subject to change if Proposed Central Storage Depot is approved

C O N F I D E N T I A L

SEPA DIVISION INSTRUCTION NUMBER 30-1

ATTACHMENT A

PAGE 3

JANUARY - DECEMBER 1959	
CHIEF SD	1. DEVELOP COST ACCOUNTING SYSTEM FOR SUPPLY DIVISION
SPPS	2. CONTINUED REVIEW OF MANAGE- MENT IMPROVEMENT PROGRAM.
IIS	3. (APR.-JUNE) W. M. STATIS- TICAL ANALYSIS FOR BUDGET AND PERSONNEL REQUIREMENTS
ORR	
ICE	SAME AS ABOVE
STB	SAME AS ABOVE
BSO	
WD	
SOB	SAME AS ABOVE
VS	
DSCS	SAME AS ABOVE
SMRS	
ECD	
WCD 1/	SAME AS ABOVE
ONE	

1/ Schedule Subject to Change if Proposed  
Central Storage Depot is approved

C O N F I D E N T I A L